



Testimony of the

**Iroquois Healthcare Alliance**

Presented to the

**Joint Legislative Public Hearing**

regarding

**Fiscal Year 2022-2023 Executive Budget on Health**

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## **Introduction**

Thank you, Chairs Weinstein, Krueger, Gottfried, and Rivera, and other distinguished members of the Legislature for the opportunity to present issues related to Governor Hochul's budget proposal and the needs of hospitals and health systems, health care delivery and the health care workforce, particularly as they relate to Upstate New York's hospitals and health systems.

I am Gary Fitzgerald, President and CEO of the Iroquois Healthcare Alliance (IHA). IHA represents the independent and unified voice of Upstate and rural hospitals as distinguished from other associations which are statewide in membership. We are a membership organization representing more than 50 hospitals and health systems in 32 counties across Upstate New York, spanning nearly 28,000 square miles. Our membership is diverse, comprising 32 rural hospitals including 13 Critical Access Hospitals and 14 Sole Community Hospitals. We represent the smallest hospital in the state, as well as some of the largest teaching hospitals in Upstate New York.

## **Background/Current State of Operations**

As a starting point, I must say that IHA welcomes the opportunity to collaborate with you and your colleagues to effectively address the many opportunities and challenges impacting our members.

In addition to the COVID-19 response, our members face workforce shortages that existed long before the advent of the pandemic, inadequate reimbursement rates causing significant fiscal issues, and a whole host of issues related to the lack of resources such as transportation, broadband access and population available in Upstate and rural New York.

As we continue to navigate through the pandemic and bring into focus a time post-pandemic, it cannot be overstated that one-size-fits-all solutions often negatively impact Upstate and rural hospitals. IHA stands ready to offer solutions to achieve the State's policy goals while sparing our members from policies, although well-intended, that are more likely to harm rather than help them.

Upstate hospitals and health systems have been continuously facing extraordinarily difficult circumstances during the course of the COVID-19 pandemic. IHA members have been navigating the need to surge and flex, address a horrendous staffing crisis and the permanent loss of staff due to the great resignation. In November 2021, on top of all of these obstacles, Executive Order 11 halted many members ability to conduct elective procedures. This was an additional unfortunate mandate because our

members had been effectively managing their own needs to limit elective procedures with resources they know best how to navigate by managing patient flow and surgical procedures using a variety of strategies. At the same time IHA members have been laser focused on managing staffed beds and throughput.

Many members voluntarily cut back surgical procedures to align with available staffing, substantially impacting surgical volumes. Some of our members report that since 2019, operating room (OR) utilization reduction is nearly 40%. For one member this amounts to lost net revenues of \$3.9M/month or \$46.8M annually. Most problematic is that patient suffering is prolonged as procedures are delayed.

Everything, EVERYTHING! associated with the pandemic has acutely accelerated staffing challenges, which, as IHA has said for years, have been on the brink of catastrophe and collapse. Filling gaps, created by the lack of a robust workforce pipeline, with travel nursing staff is an imperfect solution and also not new for hospitals. What is new is the exorbitant rates demanded by travel staffing agencies and the artificial pressure this creates on an already taxed system as healthcare staff leaves permanent employment to pursue these extraordinarily higher-paid temporary positions. All the more troubling is that sometimes these positions are located in the same zip code and not “travel” at all. During 2021, members have spent double and triple on temporary staffing solutions when compared to a “normal year”. These expenditures are clearly not only unsustainable, but also necessary to continue providing healthcare access in Upstate New York.

These serious financial and staffing obstacles are the grimmest ever endured by our members in a generation or more.

What has become unsettlingly all-to-clear, is that when the pandemic recedes, IHA members’ generational workforce challenges will not. I am here to tell you these workforce challenges are worse than they have ever been.

Let me share with you the unsettling news we received from IHA’s recent survey of members regarding vacant positions that was completed just last week.

### By the Numbers

In a recent survey of IHA members we have seen a shocking increase in full-time staff turnover of almost 118% between 2020 and 2021.

For the same time period there has been an almost 38% increase in full-time staff vacancies and an almost 55% increase in part-time staff vacancies across all job titles surveyed.

From January 2021 compared to January 2022, among the highest percentage increase of position vacancies are Emergency Room Nurse (276.7%), Nurse Practitioner (58.3%), Physician Assistant (79.7%), and Out Patient Nurse (98.6%). Looking at these percentage increases in vacancies it is clear that the staffing crisis is here for the long term and must be treated as the crisis it is. This means Upstate New York hospitals and health systems must be given resources and flexibility to address staffing issues.

Never has the health care workforce shortage in Upstate New York been so abysmal. Hospitals across Upstate have done more with less for longer than anyone can remember all while striving to maintain the safety of staff and patients as their paramount goal. When will it end?

Upstate hospitals are continuing to actively recruit for all positions in their hospitals. The overall average position vacancy rate currently stands at 17.1%, almost three times the average vacancy rate than at the beginning of the pandemic in 2020. Upstate hospitals are actively recruiting for over 15,500 open positions. Vacancy rates for registered nurse positions have never been higher at 23.3%, which is **four times** the average vacancy rate just 6 years ago. Upstate hospitals are currently recruiting for over 3,700 registered nurse position openings.

More than ever before due to the lack of applicants for vacant positions, hospitals in Upstate central and northern New York have had little choice but to turn to traveling nursing agencies paying exorbitant hourly rates that are nothing more than unscrupulous price gouging.

This has had a horrific domino effect for hospitals, with employed nurses fleeing hospitals for the short-term monetary gain of travel nurse service, increased overtime costs in the millions of dollars, and hospitals out bidding each other for traveling nurses – once again leaving smaller hospitals and those with fewer resources at the bottom of the pile.

When will it end?

With the crisis in workforce, vaccine booster mandates further reducing low staffing levels, elimination of elective surgeries—along with that the elimination of an important revenue source for hospitals - IHA hospitals and others across the state

have few options to manage pandemic response and plan to manage the crisis post pandemic. Our member hospitals continue to experience a devastating combination of nonstop hits.

One size does not fit all in New York State, especially for our Upstate hospitals. Special care must be taken to immediately address this workforce crisis and plan for a future beyond the pandemic.

With every passing day we continue to hear from hospitals and their staff about the need to recruit more staff and develop new ways to retain and recognize the staff that we have -along-standing challenge. Upstate New York hospitals need policy makers to act and do so swiftly.

We need relief for the safety and health of hospital staff, patients and all New Yorkers!

### **Governor Hochul's Budget**

It is well known that hospitals throughout Upstate New York are the largest employers in every county. They are literally and figuratively the lifelines in our communities—critical to physical health and an important component of economic development.

Hospitals have for far too long been doing more with less. However, the current fiscal health of our hospitals cannot continue to go unaddressed. Upstate hospitals face multiple challenges that create instabilities due to the unique circumstances of providing care to, for and in rural areas, including: remote geographic locations, low-patient volumes, severe and unsustainable workforce shortages, and a population that is often older, sicker, and more dependent upon government programs. The two government payers in Upstate New York are Medicaid and Medicare. These payers are widely utilized by patients, unfortunately, both programs reimburse providers at levels far below the cost of providing care. Again, a critically unsustainable situation.

There is no doubt that Governor Hochul has clearly recognized in her Executive Budget the need to invest in Upstate New York hospitals and the workforce that supports them. This recognition is emblematic of a new governing style.

The budget presents opportunities for Upstate hospitals the likes of which have not been seen in far more than a decade. Despite this positive news, there remains an

urgent need for additional assistance for our member hospitals and health systems in Upstate and rural New York.

### Medicaid Rate Increases

Governor Hochul has proposed reversing the 1.5% Medicaid cut from two years ago. She has also proposed a Medicaid increase of 1.0%. While this is certainly a step in the right direction and a step welcomed by all, it unfortunately falls far short of what is needed to address the fiscal pressures on Upstate hospitals.

On average approximately 14.5% of net patient revenue is derived from Medicaid for Upstate hospitals. This percentage is much higher for hospitals in the New York metropolitan area and thus much more impactful.

While increasing Medicaid rates is a tempting and helpful solution, it would not be as impactful for Upstate hospitals.

In the event that the Legislature accepts this proposal or even increases it, IHA urges that there be an additional mechanism to more directly support Upstate hospitals.

### Distressed Hospitals Funding Pool

IHA is pleased with the Governor's proposal to make permanent the Distressed Provider Assistance Program and invest financially distressed facilities with \$250 million. Contrary to the assertion that has been circulating that some are unaware of any hospitals in New York state that are "distressed", I can confirm that all of the Iroquois member hospitals in Upstate are severely distressed.

This Distressed Hospitals Funding proposal is the kind of program that is especially helpful to our Upstate Hospitals in light of the relatively low Medicaid component of our Payer mix, described above.

IHA urges additional funding for Upstate Hospitals in this program to ensure adequate investment for our members to help them as they continue to face and meet the challenges of the COVID-19 pandemic and the challenges that remain once the pandemic finally subsides. In addition to an increase in such funding, perhaps a mechanism could take the form of a rural rate add-on or directed payment for these hospitals.

### **Workforce Shortage**

IHA has long been sounding the alarm about the severe healthcare workforce shortage being experienced by Upstate New York hospitals. This was the case before COVID-19 and vaccine mandates. These two factors have only intensified Upstate

hospitals' workforce issues. As our member hospitals face the additional vaccine booster mandate this tenuous situation will assuredly get worse.

Our hospitals and healthcare systems are currently experiencing unprecedented levels of position vacancies, particularly in patient-facing roles. The staggering number of vacancies is at a crisis level in many areas of Upstate New York as demonstrated by the numbers I shared earlier.

Additionally, the State's vaccine mandate enacted in September 2021 has compounded workforce shortages in hospitals as will this new vaccine booster mandate. To be clear, IHA is in full support of vaccination. Unfortunately, despite tremendous education and outreach efforts promoting vaccination, there are a large number of patient-facing hospital employees throughout Upstate New York hospitals who will choose not to get boosted. If vaccine refusal for these hospital employees continues unabated without flexibility, elimination of services will continue.

### Workforce Investment

The Governor has recognized that the healthcare workforce is a vital part of the New York State healthcare delivery system. With this recognition the Executive Budget proposed a multi-year investment of \$10 billion to rebuild and grow the healthcare workforce, improve the career pipeline and retention of the existing workforce, expand access to healthcare training and education, and recruit care workers to underserved areas.

One proposal to achieve this goal is that of a Workforce Bonus. The State will invest \$1.2 billion in a frontline healthcare worker bonus program to workers earning up to \$100,000 annually to incentivize the recruitment and retention of qualified frontline healthcare and direct support professionals. The bonuses will be tailored in varying amounts based on hours worked, and length of time in service.

While this a very helpful and attractive concept, in practice it will lead to a host of unintended consequences that will further damage rather than help our workforce.

First, because the bonus will not likely apply to several titles that are not traditionally considered frontline healthcare workers, many deserving workers who have persevered through the pandemic and are equally as deserving of recognition will not qualify. These titles might include food service professionals, environmental professionals and maintenance professionals, without whom a hospital could not successfully function.

This will lead to strife among hospital staff beyond the control of hospital administrators.

Next, many hospitals have provided similar bonuses to their staff in recognition of staff devotion to patients, hospital operations and the need to invest in workforce. Consideration should be given to these situations where bonuses have already been given, allowing hospitals to use these Workforce Bonuses to optimize and address their individual circumstances.

Finally, a much larger, long-term and comprehensive solution is necessary to address the catastrophic workforce recruitment and retention challenges that are currently being faced by Upstate New York hospitals and health care systems across the healthcare continuum and which will certainly remain after COVID-19 recedes.

### Workforce Innovation Center within the Department of Health

Governor Hochul proposes to create a New York State Workforce Innovation Center to support health workforce needs. This is a positive step to develop the long term, comprehensive approach that is needed to address the critical workforce crisis being experienced by our members Upstate and across the spectrum of the healthcare continuum.

In considering this proposal, IHA recommends that care be taken to leverage resources that have already been created by the State to address workforce needs. For example, the Iroquois Healthcare Association Workforce Innovation Organization or IHA WIO. IHA operates the only WIO in New York with a statewide designation. IHA WIO urges the State to continue its annual \$10 million investment in IHA WIO programming. This would be beneficial to workforce recruitment and retention as the Governor's proposed office comes into being. Likewise, it will be beneficial during the gap year in WIO funding contemplated by the State's most recent 1115 Waiver Concept Paper submitted to the Centers for Medicare and Medicaid Services, which aims to remedy workforce recruitment and retention in the long-term care and behavioral health space by recognizing and leveraging the use of WIOs.

IHA WIO has made its mission to address the workforce recruitment and retention issues across New York State, by focusing on the recognition of workers as professionals in health care. IHA WIO has employed cutting edge strategies in its work, developing the international award-winning Caring Gene ® recruitment campaign and the use of artificial intelligence to attract candidates to apply for jobs.

IHA WIO has demonstrated that it has valuable expertise and perspective regarding the challenges and successes of workforce recruitment and retention across New York.

The good news is that IHA WIO brings to the workforce table its vast experience in workforce recruitment and retention both as a voice for the unique and varied workforce needs of Upstate providers as well as its perspective of being the only WIO with a statewide operating designation. IHA WIO knows what has worked and what hasn't.

The COVID-19 pandemic has been universally instructive especially when considered through the lens of innovation. The time to capitalize on what has been learned is now, before we find ourselves in the midst of another public health crisis.

### DOH 1115 Waiver Proposal

While not a budget issue per se, and as we have shared in the last several weeks and said earlier in our testimony, IHA is pleased that the Department of Health has submitted a new Medicaid 1115 Waiver program demonstration proposal and concept paper to the Centers for Medicare & Medicaid Services (CMS), which includes a proposal to extend operation of the Workforce Investment Organizations (WIOS) and expand WIO activities to address critically necessary acute care workforce initiatives.

IHA supports these efforts and stands ready to begin and/or continue in these waiver initiatives.

### **Additional Budget Proposals IHA Supports**

Governor Hochul has proposed a number of policies which if implemented would be welcomed as potential solutions to address healthcare workforce shortages across Upstate New York. These include:

- Enacting Nurses Across New York Loan Repayment Program
- Enacting Interstate Physician Compact
- Enacting Interstate Nurses Compact
- Enacting Telehealth Payment Parity

## **Staffing Ratios and Staffing Committees**

This issue is not necessarily a budget issue, but could be considered so due to its impact on hospital operations. Due to the staffing shortages in Upstate New York hospitals, exacerbated by the state's COVID-19 vaccine mandate and COVID-19 itself, IHA strongly urges state policymakers to delay the promulgation of regulations and implementation of Chapter 155 of the Laws of 2021 and Chapter 156 of the Laws of 2021 related to hospital and nursing home staffing ratios.

Now more than ever with a new scarcity of talent to fill the ever-growing list of open positions, these new staffing laws will easily overwhelm and adversely impact hospitals in our membership, particularly critical access hospitals, sole community hospitals, and hospitals with affiliated nursing homes, all of whom have patient and staff safety as their hallmark.

It is no exaggeration and cannot be overstated that the current workforce crisis facing hospitals across Upstate New York is severe and dire. IHA members wish for nothing more than to access a robust labor pool that would allow them to meet such ratios. The obvious fact remains that recruitment and retention of these workers in Upstate New York is difficult at best.

These new staffing mandates lack adequate safety valves necessary to account for the unique circumstances faced by Upstate hospitals. In addition, they overlook the scarcity of available labor to fill long vacant positions across Upstate.

IHA has raised concerns with mandated staffing ratios for many years, and believes that these new laws open the door, widely, to a reality of unattainable staffing levels.

IHA has led the charge to address the issues raised by these well-meaning policies. Unfortunately, these new policies miss the mark. For several weeks IHA has called on policymakers urging a delay in the implementation of these new laws and regulations. IHA also suggested that any regulations resulting from these laws contain safety valve language clarifying that they should not penalize hospitals and nursing homes where there are significant and longstanding workforce shortages, and language that recognizes the unique circumstances found in critical access/sole community hospitals whose size alone does not allow for this type of mandated staffing committee structure process.

Staffing decisions should remain with local hospitals, nursing homes, and healthcare clinicians. Hospitals and nursing homes are already required to have staffing plans

tailored to individual patient care needs. These plans include considerations for factors such as patient acuity, the level of education and experience of staff, technological considerations, and more. State and federal regulations from the New York State Department of Health (DOH), Centers for Medicare and Medicaid Services (CMS), and other accrediting entities provide safeguards to ensure staffing adequacy, education, credentialing, quality measures, care delivery, and patient satisfaction.

## **Conclusion**

What can be done?

Collectively, we need to contribute to the production of a better prepared healthcare workforce and recruitment and retention efforts that support the healthcare delivery system. Needs are particularly acute in rural areas and will require innovative approaches.

IHA urges additional investment in Upstate and rural hospitals in the form of a rural add-on or additional investment in direct payments to these hospitals.

Moreover, we urge continued funding for the IHA WIO in the amount of \$10 million to continue to address workforce needs as we await the establishment of the new DOH Workforce Office and during the GAP year as we await CMS approval of the DOH 1115 Waiver Application.

As we look to a time post-COVID, we acknowledge the fatigue that we all feel as a society, but we cannot lose sight of the stress and fatigue experienced by those working in our hospitals and health care systems. They need support and the hope of a return to normalcy.

Thank you for your time and the opportunity to share the views, successes and needs of Upstate hospitals and health systems. The people of New York State who reside in Upstate's rural communities deserve access to safe, quality healthcare. The members of the Iroquois Healthcare Alliance stand ready to work with you to ensure that quality, affordable health care is accessible to all New Yorkers, particularly our state's most vulnerable populations.